No. 92-1108

Supreme Court, U.S.
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IN THE

# SUPREME COURT OF THE UNITED STATES

October Term, 1993

PERFORMANCE INDUSTRIES, INC.,
*Petitioner,*

*v.*

MORTON INTERNATIONAL, INC.,
*Respondent.*

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

## PETITION FOR WRIT OF CERTIORARI

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## QUESTION PRESENTED FOR REVIEW

1. Is a threat of litigation made at a settlement conference a basis for a declaratory judgment action under 28 U.S.C. 2201?

## STATEMENT UNDER RULE 29.1

Petitioner in the instant matter is Performance Industries, Inc. There are no parent companies or subsidiaries of Petitioner Performance Industries, Inc.

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IN THE

# SUPREME COURT OF THE UNITED STATES

October Term, 1993

PERFORMANCE INDUSTRIES, INC.,
*Petitioner*

*v.*

MORTON INTERNATIONAL, INC.,
*Respondent.*

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

## PETITION FOR WRIT OF CERTIORARI

Petitioner respectfully prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Third Circuit entered in its No. 92-1278 on September 30, 1992.

## OPINIONS BELOW

On September 30, 1992, the Court of Appeals for the Third Circuit entered its Judgment Order, reprinted in the Appendix hereto at page A-2. No opinion was filed by the Court of Appeals for the Third Circuit. The Opinion of the United States District Court for the Eastern District of Pennsylvania is reported at ____ F.Supp. ____, 22 U.S.P.Q 1632, and is reprinted in the Appendix hereto at page A-4.

## JURISDICTIONAL STATEMENT

Invoking federal jurisdiction under 15 U.S.C. 1121 and 28 U.S.C. 2201, Petitioner brought this suit in the Eastern District of Pennsylvania on August 1, 1991. On March 10, 1992, the District Court entered its Order granting Respondent's Motion to Dismiss the Complaint for Lack of Subject Matter Jurisdiction or, in the Alternative, to Stay the Proceeding, dismissing Petitioner's Complaint and entering judgment in favor of Respondent and against Petitioner (A-9).

On appeal, the Court of Appeals for the Third Circuit on September 30, 1992, entered its Judgment Order, affirming the judgment of the District Court (A-2). This Petition for Certiorari was filed within ninety (90) days of that date.

This Court's jurisdiction arises under 28 U.S.C. 1254(1).

## STATUTE INVOLVED

This case involves 28 U.S.C. 2201, which is reproduced in the Appendix at A-1.

## STATEMENT OF THE CASE

On April 18, 1990, Petitioner, Performance Industries, Inc. ("Performance"), applied to register its mark SAFE-T-THAW for ice and snow melting preparation in

the United States Patent and Trademark Office (sometimes hereinafter referred to as "PTO"). The PTO examined Performance's application and determined that the mark was entitled to registration on the Principal Register. In accordance with 37 C.F.R. §2.80, Performance's mark was published for opposition in the September 25, 1990 issue of the *Official Gazette (Trademarks)* of the Patent and Trademark Office, and re-published in the December 11, 1990 issue of the *Official Gazette (Trademarks)*.

On January 7, 1991, Respondent, Morton International, Inc. ("Morton"), instituted a trademark opposition proceeding in the PTO against Performance's trademark application for its mark SAFE-T-THAW.[1] On April 16, 1991, a conference was held in Philadelphia between the parties for the purpose of discussing possible settlement of the opposition proceeding. Despite the fact that only an opposition proceeding was involved, Morton sent three (3) high level representatives from Morton's Chicago offices to discuss the matter on behalf of Morton, including the Group Vice President Salt of Morton International, Inc., the Vice President for Legal Affairs and General Counsel, and the Vice President, Legal Affairs and Salt Group Counsel. Morton did not send its trademark counsel to such meeting despite the routine nature of an opposition proceeding.

It is the clear recollection of Performance's Vice President, Mr. Jay Greenwald, that at the April 16 settlement meeting Morton indicated both that Performance's use of its mark SAFE-T-THAW on its goods infringed upon Morton's alleged mark SAFE-T-SALT and that Morton would consider obtaining a restraining order against Performance unless Performance changed its mark. This threat of litigation by Morton against

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1. The Trademark Trial and Appeal Board (sometimes hereinafter referred to as "TTAB"), in an opinion dated October 14, 1991, stayed the opposition proceeding pending the final determination in this civil case.

Performance was also witnessed by Glenn F. Hing, Esq., general attorney for Performance. It was Mr. Hing's recollection that Morton's representatives discussed "possible injunctive action" against Performance, due to possible consumer confusion between the product name utilized by Morton (SAFE-T-SALT) and Performance (SAFE-T-THAW). The foregoing is corroborated by the handwritten notes which Mr. Hing took contemporaneously at the meeting.

Based upon the aforementioned threat of infringement, coupled with the bringing by Morton of the Opposition in the PTO, and the continuation by Performance to market and promote its goods under its SAFE-T-THAW mark, Performance sought, *inter alia*, a declaratory judgment that its use of its trademark "SAFE-T-THAW" did not violate any rights of Morton.[2]

In response to Performance's Complaint, Morton filed its Motion to Dismiss the Complaint for Lack of Subject Matter Jurisdiction or, in the Alternative, to Stay the Proceeding. Despite accepting as true Mr. Hing's notes of the meeting, which notes corroborated the threat of infringement, the District Court granted Morton's Motion to Dismiss, concluding that Performance failed to show that Morton's conduct could have caused Performance to have a reasonable apprehension of being sued because such threatening remarks arose in the context of a settlement meeting.

Performance filed its appeal to the United States Court of Appeals for the Third Circuit. On September 30, 1992, the Third Circuit entered its Judgment Order affirming the judgment of the District Court. No written opinion by the Third Circuit was filed in connection with this case.

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2. In addition, Performance sought cancellation pursuant to Section 37 of the Lanham Act, 15 U.S.C. 1119, of Morton's U.S. Trademark Registration No. 1,411,910 for "SAFE-T-SALT" on the basis that such mark is generic for salt for melting ice and snow.

## BASIS FOR JURISDICTION IN THE DISTRICT COURT

The District Court's jurisdiction in this action is based on 28 U.S.C. 1338 and 28 U.S.C. 2201 and 2202.

## ARGUMENT

There is a clear split among the Circuit Courts of Appeal as to whether threats of infringement made at a settlement conference give the threatened party a reasonable apprehension of being sued so as to invoke federal jurisdiction under the Declaratory Judgment Act, 28 U.S.C. 2201 and 2202.

In the instant case, the Third Circuit, by affirming the District Court's decision, has taken the position that a threat of infringement at a settlement conference does not give the threatened party a reasonable apprehension of being sued. Specifically, the District Court held the following (A-8):

> Accepting as true Mr. Hing's notes of the Opposition settlement meeting, the court still finds that Performance has failed to show that Morton's conduct could have caused Performance to have a reasonable apprehension of being sued. . . . *[B]ecause any remarks Morton's representative made, either concerning infringement or injunctive action, arose in the context of a meeting to settle the Opposition proceeding, such remarks are not sufficient to create an "actual controversy."* [Emphasis added.]

The Court of Appeals for the Federal Circuit took a similar position in *West Interactive Corp. v. First Data Resources Inc.*, 972 F.2d 1295, 1297-1298 (Fed. Cir. 1992). In *West Interactive*, the Federal Circuit held that statements alleging patent infringement which were made during a meeting involving licensing negotiations by the inventor of the patent in issue were merely "jawboning" and did not create a reasonable fear of a lawsuit to support declaratory judgment jurisdiction.

In contravention to the foregoing cases, the Court of Appeals for the First Circuit in *Sweetheart Plastics, Inc. v. Illinois Tool Works, Inc.*, 439 F.2d 871 (1st Cir. 1971) and the Court of Appeals for the Second Circuit in *Kidder Peabody & Company, Incorporated v. Maxus Energy Corporation*, 925 F.2d 556 (2d Cir. 1991), *cert. denied*, ____ U.S. ____, 111 S.Ct. 2829 (1991), recognize that a threat of litigation made during settlement discussions is an appropriate basis for invoking declaratory judgment jurisdiction.

Specifically, the First Circuit held the following in *Sweethart Plastics*, *supra*, 439 at 874:

> Furthermore, in connection with the settlement negotiations in the Chicago Case, I.T.W.'s president had written a letter to Sweetheart's president suggesting that the new containers would indeed infringe I.T.W.'s patents.[5] We think that Sweetheart has shown – but barely – that it would probably face an infringement suit if it began to produce the new containers in large quantities.

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[5] I.T.W. suggests that this letter should be excluded from evidence because it concerned a proposed settlement, but the rule excluding statements made in the course of an attempted compromise applies only when the statement is offered "to establish an admission or conduct indicative of a consciousness of a weak cause * * *" 4 *Wigmore on Evidence* 1061 (Supplement at 25) (3rd ed. 1964). Sweetheart does not offer the letter for that purpose. Whatever the business ethics of using this confidential letter as evidence, the letter is admissible.

In *Kidder Peabody*, *supra*, 925 F.2d at 562, the Second Circuit held:

> Kidder sought a declaration that it is not liable to Maxus for violations of sections 10(b) and 14(e) of the 1934 Act. Apparently after learning of the SEC

> investigation into the activities of Siegel relating to the Diamond/Shamrock/Natomas merger, Maxus contacted Kidder to enter into settlement discussions about potential claims arising out of this transaction. Maxus representatives sent a memorandum to Kidder detailing the claims it might assert; one claim was based on the federal securities laws. A declaratory judgment action under 28 U.S.C. 2201 (1988) therefore was properly commenced in light of the real threat of litigation.

Manifestly, there is a clear split of authority with regard to threats of litigation made at or directly in connection with a settlement conference.

Performance submits that in the lower courts it correctly established that it is a "totality of circumstances" which determines whether certain conduct meets the "reasonable apprehension" prong of the "actual controversy" requirement for declaratory judgment jurisdiction. Performance also correctly established that under the "totality of circumstances" analysis, the bringing of an Opposition in the Patent and Trademark Office by Morton against Performance, *coupled with* the mention of "possible injunctive action" by Morton's high ranking representatives at the settlement meeting, and the continuation by Performance to market and promote its goods under its "SAFE-T-THAW" mark, were sufficient to cause Performance to have a reasonable fear of impending infringement litigation.

However, both the District Court and the Third Circuit failed to recognize the threat of "possible injunctive action" as a basis for establishing that Performance had a "reasonable apprehension" of being sued. Performance submits that the failure to recognize such threat is in direct contravention to the purposes of the declaratory judgment act. Rather, Performance agrees with Circuit Judge Lourie's dissenting opinion in *West Interactive*, *supra*, 972 F.2d at 1299, in which he stated the following:

> [W]e should not countenance parties pulling the wool over court's eyes. When they are acting threateningly, albeit in indirect ways, and then, when a threatened infringer brings a declaratory judgment action, they should not be permitted to throw up their hands and say, "Who me?"

## CONCLUSION

Because there is a split of authority in the Courts of Appeal with regard to threats of litigation made at a settlement conference providing a basis for a declaratory judgment action, this Petition for Certiorari should be granted.

Respectfully submitted,

PERFORMANCE INDUSTRIES, INC.

By_____

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# APPENDIX

## STATUTE INVOLVED

The statute involved in this matter is 28 U.S. 2201.

§2201. Creation of remedy

(a) In a case of actual controversy within its jurisdiction, except with respect to Federal taxes other than actions brought under section 7428 of the Internal Revenue Code of 1986, a proceeding under section 505 or 1146 of title 11, or in any civil action involving an antidumping or countervailing duty proceeding regarding a class or kind of Canadian merchandise, as determined by the administering authority, any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

(b) For limitations on actions brought with respect to drug patents see section 505 or 512 of the Federal Food, Drug, and Cosmetic Act.

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

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No. 92-1278

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PERFORMANCE INDUSTRIES, INC.,
*Appellant,*

v.

MORTON INTERNATIONAL, INC.

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Appeal from the United States District Court
for the Eastern District of Pennsylvania
(D.C. Docket No. 91-04899)
District Judge: Hon. Ronald B. Buckwalter

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Argued September 22, 1992

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Before: MANSMANN and ROTH, *Circuit Judges* and RESTANI, *Court of International Trade Judge*[1]

JUDGMENT ORDER

After consideration of all contentions raised by appellant,

IT IS ADJUDGED AND ORDERED that the judgment of the district court be and is hereby affirmed.

Costs to be taxed against appellant.

BY THE COURT:

Jane R. Roth

Circuit Judge

---

1. Honorable Jane A. Restani, United States Court of International Trade, sitting by designation.

Attest:

Sally Mrvos

Sally Mrvos, Clerk

DATED: SEP 30 1992

Certified as a true copy and issued in lieu
of a formal mandate on October 22, 1992

Test: Sally Mrvos

Clerk, United States Court of Appeals
for the Third Circuit.

ENTERED: 3/10/92

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

| | | |
|---|---|---|
| PERFORMANCE INDUSTRIES, INC. | : | CIVIL ACTION |
| | : | |
| v. | : | |
| | : | |
| MORTON INTERNATIONAL, INC. | : | NO. 91-4899 |

**MEMORANDUM**

BUCKWALTER, J. March 6, 1992

Performance Industries, Inc. ("Performance") brought this action against Morton International, Inc. ("Morton") in order to have the court determine the parties' rights in their respective trademarks. Performance has asked the court for declaratory relief as well as for cancellation of Morton's trademark. Defendant Morton now brings a motion to dismiss for lack of subject matter jurisdiction or alternatively a motion to stay this proceeding until the Trademark Trial and Appeal Board ("TTAB") of the United States Patent and Trademark Office makes a final decision on the merits in an Opposition proceeding pending before it between Performance, as applicant, and Morton, as opposer. Fed.R.Civ.P. 12(b)(1). Performance asserts that this court has jurisdiction based on a federal question. 28 U.S.C. 1338, 2201.

When a Rule 12(b)(1) motion attacks subject matter jurisdiction factually, as it does here, and thus places in issue the trial court's very power to hear the case, the trial court may weigh the evidence to determine whether it has the power to hear the case. *Kronmuller v. West End Fire Co. No. 3 Fire Dept.*, 123 F.R.D. 170, 172 (E.D.Pa. 1988). In such cases, no presumption of truth attaches to plaintiff's allegations, and the existence of disputed material facts will not preclude the trial court from evaluating the merits of jurisdictional claims. *Id.*

*citing Mortensen v. First Federal Savings and Loan Ass'n.*, 549 F.2d 884, 891 (3d Cir. 1977). The party asserting jurisdiction bears the burden of proving that jurisdiction does in fact exist. *Id.* Additionally, if jurisdiction is based on a federal question, the pleader need only show that he has alleged a claim under federal law and that the claim is not frivolous. *Id.* (citations omitted). As explained below, the court grants Morton's motion to dismiss.

## Background

Performance and Morton are competitors in the ice and snow melting preparation business. Performance began selling its ice and snow melting preparation product under the trademark SAFE-T-THAW in October 1987 and in April 1990 applied to register that trademark in the United States Patent and Trademark Office. Morton sells a similar ice and snow preparation product under the trademarks SAFE-T-SALT and SAFE-T-SALT (and design) and has federal registrations for those marks.

On January 7, 1991, Morton filed an Opposition to Morton's trademark registration application in the United States Patent and Trademark Office. Several months later, on April 16, 1991, representatives of Morton and Performance met in Philadelphia at Morton's suggestion to discuss a possible settlement of the Opposition proceeding. The parties have presented conflicting stories of the nature of what was said during this meeting. According to the recollection of Performance's Vice President Jay Greenawald and General Attorney Glenn F. Hing, Morton's representatives indicated during the meeting that Performance was infringing upon Morton's trademark and that Morton might seek a restraining order or some other injunctive relief against Performance. Mr. Hing's handwritten notes of that meeting state, among other things, "possible injunctive action by Morton/consumer confusion."

Morton's representatives, who included President William E. Johnston, Vice President for Legal Affairs and General Counsel, James R. Stanley, and Vice President for Legal Affairs and Group Counsel, James F. Fox, on the other hand, portrayed a more conciliatory meeting. Mr. Johnston recalled asking Performance to consider making a minor change in the SAFE-T-THAW mark and offering to help pay for the changes. Mr. Stanley remembered opening the meeting by stating Morton's desire to reach an amicable resolution of the controversy in order to avoid the cost of litigation. Mr. Stanley and Mr. Johnston also deny that anyone from Morton ever mentioned or threatened filing either an infringement action or pursuing a restraining order or other injunctive relief.

Reaching no settlement, the parties proceeded with the Opposition before the TTAB. On May 23, 1991, Performance answered Morton's Opposition. On June 21, 1991, Morton served Performance with Morton's First Set of Interrogatories and Request for Production of Documents. On July 19, 1991, Morton granted Performance's request for a two-week extension, until August 5, 1991, within which to answer Morton's discovery. Performance never responded to Morton's discovery requests, but on August 1, 1991, Performance brought the present action seeking a declaration that its trademark does not infringe Morton's trademark and cancellation of Morton's trademark. The TTAB has stayed the Opposition proceedings pending the final outcome of this case. The court now turns to the pending motions.

## Discussion

The court will first address whether this case is an appropriate one for declaratory relief.

The Declaratory Judgment Act permits federal courts, in their discretion, to render declaratory judgments in "case[s] of actual controversy." 28 U.S.C. §2201. The statute creates a remedy only; it does not

create a basis of jurisdiction, and does not authorize the rendering of advisory opinions. *Cutaiar v. Marshall,* 590 F.2d 523, 527 (3d Cir. 1979). The statute's requirement of an "actual controversy" is identical to the requirement of "cases" and "controversies" under Article III of the United States Constitution. *Cutaiar,* 590 F.2d at 527.

In declaratory judgment actions involving trademarks and patents, courts apply the same test to determine whether an "actual controversy" exists; an "actual controversy" exists when the defendant's conduct creates in plaintiff a "reasonable apprehension" of being sued for infringement. *Crown Drug Co., v. Revlon, Inc.,* 703 F.2d 240, 243 (7th Cir. 1983); *Interdynamics, Inc. v. Wolf,* 698 F.2d 157, 166 (3d Cir. 1982); *See also* 2 McCarthy, *Trademarks and Unfair Competition,* §32:18 at 710 (2d ed. 1984). Either an express or an implied threat of suit can satisfy the "actual controversy" requirement. 698 F.2d at 167-68.

This court finds that the evidence fails to establish that Morton's acts could have caused Performance to have a "reasonable apprehension" of being sued for infringement. Performance relies on Mr. Hing's notes of the discussions during the Opposition settlement meeting coupled with Morton's filing an Opposition proceeding.

The filing of an opposition against a trademark registration in the Patent and Trademark Office is not, *per se,* regarded as sufficient to create an "actual controversy" under the Declaratory Judgment Act. *Chesebrough-Ponds, Inc. v. Faberge, Inc.,* 666 F.2d 393, 396 (9th Cir. 1982); 2 McCarthy, *Trademarks and Unfair Competition,* §32:18 at 711 (2d ed. 1984). In that same regard, courts have also found that remarks concerning infringement that are made by a deponent during an opposition proceeding do not constitute a charge or threat of infringement. *See Red Lobster Inns, Inc. v. New England Oyster House, Inc.,* 378 F.Supp. 1144 (S.D. Fla. 1974), *aff'd,* 524 F.2d 968 (5th Cir. 1975); *Wuv's*

*International, Inc. v. Love's Enterprises, Inc.*, 200 U.S.P.Q. 273 (D.Colo. 1978).

Accepting as true Mr. Hing's notes of the Opposition settlement meeting, the court still finds that Performance has failed to show that Morton's conduct could have caused Performance to have a reasonable apprehension of being sued. First, Mr. Hing's notes are too inconclusive as to the statements Morton's representatives made and give the court little basis for finding that Morton's conduct could have caused a reasonable apprehension of being sued. Also, because any remarks Morton's representatives made, either concerning infringement or injunctive action, arose in the context of a meeting to settle the Opposition proceeding, such remarks are not sufficient to create an "actual controversy." Accordingly, this court does not have jurisdiction to hear this case and grants Morton's motion to dismiss for lack of subject matter jurisdiction.

With respect to Performance's claim for cancellation of Morton's trademark, the court finds that this claim must also be dismissed for lack of subject matter jurisdiction. Under Section 37 of the Lanham Act, district courts have the power to cancel registrations, but only in an "action involving a registered mark." 15 U.S.C. §1119. Interpreting this language, courts have held that a plaintiff with no registered mark cannot obtain jurisdiction in federal court by relying on Section 37 of the Lanham Act alone. *Windsurfing Int'l., Inc. v. AMF, Inc.*, 828 F.2d 755, 758-59 (Fed. Cir. 1987). There must be some other independent ground of jurisdiction, such as a claim of infringement or a "case of actual controversy" referred to in the Declaratory Judgement Act. *Id.* at 758-59; *See also* 2 McCarthy, *Trademarks and Unfair Competition*, §30:32 at 526 (2d ed. 1984). As discussed above, since no "actual controversy" exists to create jurisdiction in this court under the Declaratory Judgment Act, the court also does not have jurisdiction to entertain Performance's cancellation claim.

An appropriate order follows.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

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|---|---|---|
| PERFORMANCE INDUSTRIES, INC. | : | CIVIL ACTION |
| | : | |
| v. | : | |
| | : | |
| MORTON INTERNATIONAL, INC. | : | NO. 91-4899 |

**ORDER**

AND NOW, this 6th day of March, 1992, upon consideration of the motion of defendant Morton International, Inc. to dismiss the complaint for lack of subject matter jurisdiction or, in the alternative, to stay proceedings, plaintiff Performance Industries, Inc's opposition thereto and the briefs and arguments of counsel thereon, it is hereby ORDERED that plaintiff's complaint is DISMISSED for lack of subject matter jurisdiction.

BY THE COURT:

Ronald L. Buckwalter

RONALD L. BUCKWALTER, J.

Supreme Court, U.S.
E D
JAN 22 1993
OFFICE OF THE CLERK

No. 92-1108

IN THE

# Supreme Court of the United States

OCTOBER TERM, 1992

**PERFORMANCE INDUSTRIES, INC.,**
*Petitioner,*

v.

**MORTON INTERNATIONAL, INC.,**
*Respondent.*

**On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Third Circuit**

## RESPONDENT'S BRIEF IN OPPOSITION

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## COUNTERSTATEMENT OF QUESTION PRESENTED

Petitioner questions whether a threat of litigation made at a settlement conference is a basis for a declaratory judgment action. In fact, the questions are:

1) Whether a reviewable split of circuit authority can be based on a one-sentence court of appeals affirmance;

2) Whether there can be a split of circuit authority on a question of fact, so as to justify Supreme Court review; and

3) Whether alleged remarks in the context of a trademark opposition can create a justiciable controversy.

## STATEMENT UNDER RULE 29.1

Morton International, Inc. is the Respondent. It has no parent corporation, and has the following subsidiaries or affiliates which are not wholly-owned:

Morton Nichiyu Co., Ltd.

A & M Fabrica de Produtos Quimicos, Ltda.

Nippon Bee Chemical Co., Ltd. (Japan)

Nippon Bee Chemical Co., Ltd. (England)

Daihan Bee Chemical Co., Ltd.

Morton Yokohama, Inc.

Toray Thiokol Company, Ltd.

Toyo-Morton Limited

Ecuatoriana de Sal y Productos Quimicos C.A.

Morfecor C.A.

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*Treatises*:

2A James Wm. Moore et al., *Moore's Federal Practice* ¶ 12.07[2.-1] at 12-49 (2d Ed. 1992) ..... 4, 5

# STATUTORY PROVISIONS INVOLVED

In addition to the section of the Judicial Code reproduced in the petitioner's appendix at page A-1, the following sections of the Lanham (Trademark) Act are relevant:

### Opposition

### Filing an Opposition

Lanham Act Section 13, 15 U.S.C.A. § 1063 (West Supp. 1992). (a) Any person who believes that he would be damaged by the registration of a mark upon the principal register may, upon payment of the prescribed fee, file an opposition in the Patent and Trademark Office, stating the grounds therefor, within thirty days after the publication under subsection (a) of section 12 of this Act of the mark sought to be registered. Upon written request prior to the expiration of the thirty-day period, the time for filing opposition shall be extended for an additional thirty days, and further extensions of time for filing opposition may be granted by the Commissioner for good cause when requested prior to the expiration of an extension. The Commissioner shall notify the applicant of each extension of the time for filing opposition. An opposition may be amended under such conditions as may be prescribed by the Commissioner.

### Trademark Trial and Appeal Board

Lanham Act Section 17, 15 U.S.C.A. § 1067 (West Supp. 1992). In every case of interference, opposition to registration, application to register as a lawful concurrent user, or application to cancel the registration of a mark, the Commissioner shall give notice to all parties and shall direct a Trademark Trial and Appeal Board to determine and decide the respective rights of registration.

The Trademark Trial and Appeal Board shall include the Commissioner, the Deputy Commissioner, the Assistant Commissioners, and members appointed by the Commissioner. Employees of the Patent and Trademark Office and other persons, all of whom shall be competent in trademark law, shall be eligible for appointment as members. Each case shall be heard by at least three members of the Board, the members hearing such case to be designated by the Commissioner.

**Powers of Commissioner**

Lanham Act Section 18, 15 U.S.C.A. § 1068 (West Supp. 1992). In such proceedings the Commissioner may refuse to register the opposed mark, may cancel the registration, in whole or in part, may modify the application or registration by limiting the goods or services specified therein, may otherwise restrict or rectify with respect to the register the registration of a registered mark, may refuse to register any or all of several interfering marks, or may register the mark or marks for the person or persons entitled thereto, as the rights of the parties hereunder may be established in the proceedings: Provided, That in the case of the registration of any mark based on concurrent use, The Commissioner shall determine and fix the conditions and limitations provided for in subsection (d) of section 2 of this Act. However, no final judgment shall be entered in favor of an applicant under section 1(b) before the mark is registered, if such applicant cannot prevail without establishing constructive use pursuant to section 7(c).

No. 92-1108

IN THE

# Supreme Court of the United States

OCTOBER TERM, 1992

PERFORMANCE INDUSTRIES, INC.,

*Petitioner,*

v.

MORTON INTERNATIONAL, INC.,

*Respondent.*

**On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Third Circuit**

## RESPONDENT'S BRIEF IN OPPOSITION

Respondent, Morton International, Inc. ("Morton"), respectfully requests that this Court deny the petition of Performance Industries, Inc. ("Performance") for a writ of certiorari, which seeks review of the judgment of the United States Court of Appeals for the Third Circuit reprinted in the appendix to the petition at pages A-2 and A-3.

## COUNTERSTATEMENT OF THE CASE

Morton has manufactured and sold ice and snow melting preparations throughout the United States under the SAFE-T-SALT trademark for over thirty years. It owns

two federal trademark registrations for SAFE-T-SALT.[1] On April 18, 1990, Performance applied in the United States Patent and Trademark Office ("PTO") to register the trademark SAFE-T-THAW for an ice and snow melting preparation.

On January 7, 1991 Morton opposed registration of the SAFE-T-THAW mark under the Lanham Act Section 13, 15 U.S.C.A. §1063 (West Supp. 1992), based on the confusing similarity between Performance's SAFE-T-THAW mark and Morton's prior SAFE-T-SALT marks for directly competing products. Several months later, on April 16, 1991, the parties met to discuss a possible resolution of the pending opposition. At the meeting, Morton proposed that Performance make a minor change in its mark in order to lessen or avoid likely confusion. Morton offered to assist in the changeover costs.

At no point during the settlement meeting did Morton's representatives threaten or even mention the possibility of an infringement action, a temporary restraining order, or injunctive relief against Performance. The meeting was cordial, ending with Performance promising to consider Morton's offer. Performance's attorney later wrote Morton:

> It was a pleasure to meet [Morton] on Tuesday and we certainly appreciate your coming to Philadelphia to talk with us. We certainly appreciate also, the spirit of your offer to try to reach a settlement of this matter without recourse to litigation.

---

[1] Morton owns federal trademark Registration No. 843,076 for the mark SAFE-T-SALT and design, registered in January, 1968, and federal trademark Registration No. 1,411,910 for the mark SAFE-T-SALT, registered in October, 1986. Reference to the SAFE-T-SALT trademark includes both the SAFE-T-SALT and SAFE-T-SALT and design registered trademarks.

However, the parties did not reach a settlement, and the opposition proceeded.

Performance filed its answer on May 23, 1991, and on June 14, 1991 the Trademark Trial and Appeal Board mailed discovery and further briefing schedules to the parties. On June 21, 1991 Morton served interrogatories and document production requests on Performance, whose counsel requested additional time to respond. Then, without warning, on August 1, 1991 Performance filed a complaint for declaratory judgment in the district court. For the first time, Performance asserted that Morton's representatives at the April settlement meeting had threatened court action.

Performance filed its declaratory judgment action over seven months after Morton filed its opposition, and three and one half months after the settlement meeting. It based subject matter jurisdiction on Morton's filing of the opposition, as well as on alleged threats of court action made by Morton during the meeting. Morton's representatives swore that they made no such threats, and Performance came to admit (and the district court held) that under settled law the opposition itself could form no basis for a declaratory action. There being no justiciable controversy, Morton moved under Rule 12(b)(1) of the Federal Rules of Civil Procedure to dismiss the action for want of subject matter jurisdiction.

The district court on March 6, 1992 found Performance's alleged perception of threat of suit to be unreasonable, and that the filing of the underlying opposition could not form a basis for jurisdiction. Concluding that there was no justiciable controversy, the district court dismissed Performance's complaint. (Pet. at A-4, A-9.)[2]

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[2] "Pet." references are to Performance's petition for writ of certiorari. "A-" references are to the appendix attached thereto.

Performance appealed to the Third Circuit Court of Appeals. The parties briefed the case fully and, on September 22, 1992, participated in a very spirited oral argument before a three-judge panel. Eight days later the court handed down a one-sentence affirmance of the district court. (Pet. at A-2.) Performance did not move for a rehearing, and did not attempt to stay the mandate. The court of appeals issued a true copy of the judgment order in lieu of a formal mandate on October 22, 1992. (Pet. at A-3.)

## SUMMARY OF REASONS FOR DENYING THE WRIT

The court of appeals decision contains no reasoning or analysis, and there is no way to discern its *ratio decidendi*. Obviously the court found Performance's appeal meritless, but attributing one or another position to the court as Performance attempts is sheer guesswork. The court of appeals decision thus cannot be in conflict with the decision of another court of appeals for purposes of applying Supreme Court Rule 10.1.(a). In effect, Performance is simply rearguing its position that the *district court* was wrong. The petition, an undisguised bootstrap attempt at review, should be denied on this ground alone.

Morton's Rule 12(b)(1) motion to dismiss attacked district court jurisdiction factually. The district court weighed the evidence to determine if Performance had a reasonable apprehension of being sued, and concluded it did not. That fact finding was subject to reversal by the court of appeals only if it was clearly erroneous. 2A James Wm. Moore et al., *Moore's Federal Practice* ¶ 12.07 [2.-1] at

12-49 (2d Ed. 1992). The court of appeals found no error of any kind.

Performance cannot convert an issue of fact, found by the district court and not disturbed by the court of appeals, into a question for Supreme Court review. Morton made no threats of litigation and, in any event, Performance had no reasonable apprehension of being sued. Whether threats of litigation can form such an apprehension (and a justiciable controversy) in *other* cases turns exclusively on their facts.

Moreover, Morton was pursuing its Lanham Act remedies in a trademark opposition in the PTO when Performance filed suit. Since the pendency of an opposition does not, without more, create a justiciable controversy, remarks made during the course of an opposition do not either.

## REASONS FOR DENYING THE WRIT

### A. The One-Sentence Affirmance Created No Circuit Conflict.

The sum total of the judgment order of the court of appeals, claimed to create a conflict with the First and Second Circuits, is as follows, (Pet. at A-2):

> After consideration of all contentions raised by appellant,
>
> IT IS ADJUDGED AND ORDERED that the judgment of the district court be and is hereby affirmed.

The judgment of the district court, in turn, is set forth in a one-paragraph ORDER, (Pet. at A-9), dismissing the complaint for lack of subject matter jurisdiction.

In its Memorandum, (Pet. at A-4, A-8), the district court recognized the jurisdictional facts of life: the burden of proving jurisdiction is on the party asserting it, the trial court may weigh the evidence to determine whether it has jurisdiction, and the existence of disputed material facts does not prevent the court from making its determination. (Pet. at A-4, A-5.) The court then reviewed the facts and found, (Pet. at A-7), "that the evidence fails to establish that Morton's acts could have caused Performance to have a 'reasonable apprehension' of being sued for infringement." The court of appeals quickly affirmed.

But in a stunning leap of logic Performance argues that, by affirming, the Third Circuit took "the position that a threat of infringement at a settlement conference does not give the threatened party a reasonable apprehension of being sued." (Pet. at 5.) In fact, *neither* court took this position. The district court simply held that Performance did not meet its burden of proof *on the facts of this case*, and the court of appeals affirmed. Whether or not a reasonable apprehension is created is a fact-intensive inquiry. Neither court propounded what Performance characterizes as a rule of law or a *per se* rationale.

**B. Performance's Ellipsis Conceals A Contradiction.**

Performance's tell-tale ellipsis, (Pet. at 5), effectively guts its entire Petition. Perhaps hoping that neither Morton nor this Court would notice, Performance bases its core argument on the italicized sentence *after* the deletion. It not so cleverly omitted the sentence which lay at the very heart of the district court's holding. Why was concealment so important? The answer is obvious from the following *entire* quotation, (Pet. at A-8), with Performance's deletion emphasized:

> Accepting as true Mr. Hing's notes of the Opposition settlement meeting, the court still finds that Performance has failed to show that Morton's conduct could have caused Performance to have a reasonable apprehension of being sued. *First, Mr. Hing's notes are too inconclusive as to the statements Morton's representatives made and give the court little basis for finding that Morton's conduct could have caused a reasonable apprehension of being sued.* Also, because any remarks Morton's representatives made, either concerning infringement or injunctive action, arose in the context of a meeting to settle the Opposition proceeding, such remarks are not sufficient to create an "actual controversy."

The primary reason for the court's fact finding thus was the inadequacy of Performance's evidence, not a *per se* rule of law which applies irrespective of the factual setting.

### C. The Allegedly Conflicting Decisions Are Not In Conflict.

As with the instant case, Performance's cases do not involve any kind of *per se* rule that all (or no) threats of infringement create justiciable controversies. In each case where declaratory jurisdiction is tested by a Rule 12(b)(1) motion, the court must do what the district court did here. It must analyze the particular facts to determine whether there is a reasonable apprehension of suit. The Second Circuit, in *Kidder, Peabody & Co. v. Maxus Energy Corp.*, 925 F.2d 556 (2d Cir.), *cert. denied*, ____ U.S. ____, 111 S. Ct. 2829 (1991), one of the cases Performance says conflicts with the Third Circuit in this case, followed this view by quoting this Court's opinion in *Golden v. Zwickler*, 394 U.S. 103, 108, as follows:

> [T]he question in each case [in which a declaratory judgment is sought] is whether the facts alleged,

> under all the circumstances, show that there is a substantial controversy, between the parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment. [The Second Circuit then went on to state:] Whether a real and immediate controversy exists in a particular case is a matter of degree and must be determined on a case-by-case basis. In reviewing the trial court's exercise of discretion to grant or refuse declaratory relief, we may reverse where we find that the exercise was erroneous.

925 F.2d at 562 (citations omitted).

Under this rationale the Court upheld declaratory judgment jurisdiction based on the defendant's expressed intention to file suit after a ten day "standstill" period. It further held that the defendant's later assurances, that it would not assert certain Securities Act claims against the plaintiff, did not moot federal jurisdiction.

Performance's remaining cases were also decided on factual grounds and not on the basis of a *per se* rule. In *West Interactive Corp. v. First Data Resources Inc.*, 972 F.2d 1295 (Fed. Cir. 1992), the oral statements made during license negotiations were "more akin to jawboning . . . than to threatening litigation," 972 F.2d at 1298, and the so-called threat was made by someone who was unconnected with the defendant. The court affirmed the district court holding that the defendant "did not engage in conduct sufficient to give [plaintiff] a reasonable apprehension of suit." *Id. Sweetheart Plastics, Inc. v. Illinois Tool Works, Inc.*, 439 F.2d 871 (1st Cir. 1971), similarly does not create a semblance of circuit conflict. There the court actually affirmed the dismissal of the complaint, based in part on the lack of declaratory judgment jurisdiction. Although the plaintiff was able to show a threat of suit for patent infringement, it could not show it had actually produced

or made active preparation to produce the accused device, a prerequisite in a patent case.

Since all such cases ultimately turn on their facts, there can be no conflict in the circuits merely because the facts are different. The rule of law remains the same, and it is the same one which was applied by the district court here and affirmed *sub silentio* by the Third Circuit.

### D. Trademark Oppositions Do Not Generate Justiciable Controversies.

None of the cases relied upon by Performance involved our special circumstances. These cases involved the Patent Act and the Securities Act, not a declaratory judgment action filed during the pendency of a trademark opposition in the PTO.

A trademark opposition filed in the PTO is an administrative proceeding in which a trademark owner objects to federal registration being granted for a confusingly similar trademark (SAFE-T-SALT v. SAFE-T-THAW, e.g.). The procedure is set forth in the Lanham Act, 15 U.S.C.A. §§ 1063, 1067-68 (West Supp. 1992) (set forth at v-vi, *supra*). An opposition does not involve a charge of trademark infringement or raise the possibility of judicial remedies such as injunctions or damages. The district court relied on the cases, (Pet. at A-7, A-8), holding that the filing of such an opposition is not, *per se*, sufficient to create an "actual controversy" under the Declaratory Judgment Act. It went on to state that ". . . remarks concerning infringement that are made by a deponent during an opposition proceeding do not constitute a charge or threat of infringement. *See Red Lobster Inns, Inc. v. New Eng. Oyster House, Inc.*, 378 F.Supp. 1144 (S.D. Fla. 1974), *aff'd*, 524 F.2d 968 (5th Cir. 1975); *Wuv's Int'l, Inc. v.*

*Love's Enters., Inc.*, 200 U.S.P.Q. 273 (D. Colo. 1978)." Both of these decisions squarely support the district court sentence after the ellipsis. Performance does not question or attempt to distinguish them.

In *Red Lobster* the declaratory judgment plaintiff, to establish a justiciable controversy, relied on so-called threats of an infringement action made by an opposer during a deposition. The court rejected the argument, stating: "If the filing of an opposition proceeding does not constitute a justiciable claim under the trade-mark laws, then it would strain logic to find, as plaintiff has urged, that a justiciable claim arises merely because plaintiff sought to depose the objector in connection with the administrative proceedings." 378 F. Supp. at 1146. Similarly, if Morton's filing of an opposition itself does not create a justiciable controversy, it would strain logic to hold that alleged remarks made during opposition settlement negotiations did. The alleged threats in *Red Lobster* and in *Wuv's*, neither creating justiciable controversies, were made in depositions under adversarial circumstances. Here they were alleged to be made in a settlement meeting later characterized by Performance's attorney as friendly. Was there a reasonable apprehension of suit? Certainly not.

## CONCLUSION

Performance has failed to establish a cognizable split of authority between the circuits. There was no discernible reasoning in the Third Circuit one-sentence affirmance, and the district court applied the correct legal standard in reviewing Performance's factual contentions. The ellipsis was a dead giveaway. The Petition clearly should be denied.

Respectfully submitted,

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